

**REPORT OF THE AUDIT OF THE  
LYON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**



**EDWARD B. HATCHETT, JR.**  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE LYON COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**

The Auditor of Public Accounts has completed the Lyon County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Cash balances increased by \$636,467 from the beginning of the year, resulting in a cash surplus of \$1,822,036 as of June 30, 2002.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2002, was \$4,860,000. Future collections of \$6,944,133 are needed over the next 18 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$1,880,990 as of June 30, 2002. Future principal and interest payments of \$3,118,413 are needed to meet these obligations.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable J. D. Lee, Lyon County Judge/Executive  
Members of the Lyon County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity balances arising from cash transactions of Lyon County, Kentucky, as of June 30, 2002, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Lyon County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions of Lyon County, Kentucky as of June 30, 2002, and the revenues received and expenditures paid for the year then ended in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2003 on our consideration of Lyon County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
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Members of the Lyon County Fiscal Court

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Lyon County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
February 25, 2003



LYON COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

**Fiscal Court Members:**

James D. Lee	County Judge/Executive
Charles Ferguson	Magistrate
Steve Cruce	Magistrate
Buddy Nichols	Magistrate

**Other Elected Officials:**

Lindell Choat	County Attorney
Hank O'Bryan	Jailer
Sarah Defew	County Clerk
Rebecca Howard	Circuit Court Clerk
P. Kent Murphy	Sheriff
Janice Stokes	Property Valuation Administrator
Ronnie Patton	Coroner

**Appointed Personnel:**

Denise Sutton	County Treasurer
Amy Penn	Finance Officer



STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

LYON COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	Governmental Fund Types			Totals (Memorandum Only) Reporting Entity
	General	Special Revenue	Debt Service	
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,168,550	\$ 185,255	\$ 491,966	\$ 1,845,771
Total Assets	\$ 1,168,550	\$ 185,255	\$ 491,966	\$ 1,845,771
<u>Other Resources</u>				
Amounts to be Provided In Future Years for:				
Capital Leases	\$ 1,010,990	\$	\$ 870,000	\$ 1,880,990
Bond Payments			4,368,034	4,368,034
Total Other Resources	\$ 1,010,990	\$ 0	\$ 5,238,034	\$ 6,249,024
Total Assets and Other Resources	\$ 2,179,540	\$ 185,255	\$ 5,730,000	\$ 8,094,795

The accompanying notes are an integral part of the financial statements.

LYON COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

	Governmental Fund Types			Totals (Memorandum Only) Reporting Entity
	General	Special Revenue	Debt Service	
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Capital Leases (Note 4)	\$ 1,010,990	\$	\$ 870,000	\$ 1,880,990
Bonds:				
Series 1999 (Note 4)			4,860,000	4,860,000
Total Liabilities	\$ 1,010,990	\$ 0	\$ 5,730,000	\$ 6,740,990
<u>Equity</u>				
Fund Balances:				
Unreserved	\$ 1,168,550	\$ 185,255	\$ 0	\$ 1,353,805
Total Equity	\$ 1,168,550	\$ 185,255	\$ 0	\$ 1,353,805
Total Liabilities and Equity	\$ 2,179,540	\$ 185,255	\$ 5,730,000	\$ 8,094,795

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

LYON COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,415,670	\$ 1,728,942	\$ 628,015	\$ 69,664
Other Financing Sources:				
Transfers In	62,700			62,700
Kentucky Advance Revenue Program	626,800	604,800	22,000	
Total Cash Receipts	<u>\$ 4,105,170</u>	<u>\$ 2,333,742</u>	<u>\$ 650,015</u>	<u>\$ 132,364</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,238,993	\$ 1,256,808	\$ 424,738	\$ 132,343
Other Financing Uses:				
Transfers Out	62,700	62,700		
Bonds:				
Principal Paid	165,000			
Interest Paid	225,590			
Capital Lease				
Principal Paid	149,620	19,620	130,000	
Kentucky Advance Revenue Program Repaid	626,800	604,800	22,000	
Total Cash Disbursements	<u>\$ 3,468,703</u>	<u>\$ 1,943,928</u>	<u>\$ 576,738</u>	<u>\$ 132,343</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 636,467	\$ 389,814	\$ 73,277	\$ 21
Cash Balance - July 1, 2001	<u>1,185,569</u>	<u>391,174</u>	<u>149,476</u>	<u>91</u>
Cash Balance - June 30, 2002	<u><u>\$ 1,822,036</u></u>	<u><u>\$ 780,988</u></u>	<u><u>\$ 222,753</u></u>	<u><u>\$ 112</u></u>

The accompanying notes are an integral part of the financial statement.



LYON COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2002  
(Continued)

General Fund Types	Special Revenue Fund Types					Debt Service Fund Type
Local Government Economic Assistance Fund	Federal Grant Fund	911 Fund	HB 577 Fund	Poor Farm Fund	Public Properties Corporation Fund	
\$ 38,012	\$ 370,296	\$ 29,279	\$ 68,958	\$ 1,047	\$ 481,457	
\$ 38,012	\$ 370,296	\$ 29,279	\$ 68,958	\$ 1,047	\$ 481,457	
\$ 13,184	\$ 370,296	\$ 40,288	\$ 1,300	\$ 36	\$	
						165,000
						225,590
\$ 13,184	\$ 370,296	\$ 40,288	\$ 1,300	\$ 36	\$ 390,590	
\$ 24,828	\$	\$ (11,009)	\$ 67,658	\$ 1,011	\$ 90,867	
116,135		63,459	29,398	34,737	401,099	
\$ 140,963	\$ 0	\$ 52,450	\$ 97,056	\$ 35,748	\$ 491,966	

The accompanying notes are an integral part of the financial statement.

LYON COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Lyon County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Lyon County Public Properties Corporation as part of the reporting entity.

Lyon County Public Properties Corporation

The fiscal court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. Financial information for the Public Properties Corporation is blended within Lyon County's financial statements.

Additional - Lyon County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Lyon County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Lyon County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed on the following page.

LYON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Lyon County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Lyon County Special Revenue Fund Type includes the following county funds: Federal Grant Fund, 911 Fund, HB 577 Fund, and Poor Farm Fund.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Fund.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, deferred revenue, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

LYON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Lyon County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Debt Service Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. For the purpose of the statement of cash receipts, cash disbursements, and changes in cash balances, the county considers all investments with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture.

The Lyon County-Eddyville-Kuttawa Joint Tourism Commission is a joint venture of Lyon County, the City of Eddyville, and the City of Kuttawa. The Lyon County-Eddyville-Kuttawa Joint Tourism Commission was created to promote tourism in Lyon County.

LYON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Joint Ventures (Continued)

The Lyon County Planning and Zoning Commission is a joint venture of Lyon County, the City of Eddyville, and the City of Kuttawa. The Planning and Zoning Commission was created to facilitate consistency of planning and zoning laws within Lyon County.

The North Pennyryle E-911 Fund is a joint venture of the Kentucky State Police and Lyon, Caldwell, Crittenden, Livingston, and Union Counties. This fund was created to distribute E-911 taxes collected on phone services for the aforementioned counties and Kentucky State Police and to pay related E-911 expenses.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

LYON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 4. Long-Term Debt

A. Public Properties Corporation First Mortgage Revenue Bonds

The Lyon County Public Properties Corporation issued First Mortgage Revenue Bonds (Courthouse Annex Project) Series 1999 for funding of construction of a new Annex facility. Interest varies from 3.75% to 5.0% and is payable for 22 years. The Lyon County Public Properties Corporation has leased the building to the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), and AOC is providing the debt service payments as prescribed in the aforementioned lease. The principal balance as of June 30, 2002 was \$4,860,000. Payments of principal and interest are as follows:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2002-2003	\$ 219,403	\$ 170,000
2003-2004	212,942	175,000
2004-2005	206,118	185,000
2005-2006	198,718	190,000
2006-2007	191,118	200,000
2007-2012	826,635	1,125,000
2012-2017	557,300	1,410,000
2017-2020	163,865	1,405,000
Totals	<u>\$ 2,576,099</u>	<u>\$ 4,860,000</u>

B. Sheriff's Vehicle Capital Lease

The Lyon County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust on July 7, 2000 for the purchase of a vehicle for the Sheriff's Office in the amount of \$21,160. Interest is payable at a rate of 4.75% for 3 years. Payments of principal and interest are as follows:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2002-2003	\$ 269	\$ 7,361
2003-2004	3	629
Totals	<u>\$ 272</u>	<u>\$ 7,990</u>

LYON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 4. Long-Term Debt (Continued)

C. Courthouse Project Capital Lease

The Lyon Fiscal Court entered into a capital lease agreement with the Kentucky Area Development District on October 14, 1999 for funding for the completion of a courthouse project. Interest is payable at an average rate of 6.07% for 25 years. The debt service payments related to this project are being made by the Administrative Office of the Courts. The principal balance as of June 30, 2002 was \$870,000. Payments of principal and interest are as follows:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2002-2003	\$ 53,205	\$ 5,000
2003-2004	52,930	5,000
2004-2005	52,655	5,000
2005-2006	52,380	5,000
2006-2007	52,105	5,000
2007-2012	256,383	25,000
2012-2017	249,175	25,000
2017-2022	230,870	390,000
2022-2024	38,210	405,000
Totals	<u>\$ 1,037,913</u>	<u>\$ 870,000</u>

D. Road Construction Capital Lease

The Lyon County Fiscal Court entered into a capital lease agreement with the Kentucky Area Development District on August 6, 1998 for funding of road construction in the amount of \$1,405,000. Interest is payable at a rate of 4.83% for 10 years to Fifth Third Bank. The principal balance as of June 30, 2002 was \$910,000. Payments of principal and interest are as follows:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2002-2003	\$ 44,200	\$ 130,000
2003-2004	38,220	140,000
2004-2005	31,360	150,000
2005-2006	24,010	155,000
2006-2007	16,415	165,000
2007-2008	8,330	170,000
Totals	<u>\$ 162,535</u>	<u>\$ 910,000</u>

LYON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 4. Long-Term Debt (Continued)

E. Waterlines Capital Lease

The Lyon County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust on December 16, 1991 for funding of waterlines for the Lyon County Water District in the amount of \$130,000 for 25 years.

The Lyon County Fiscal Court refinanced this capital lease agreement on May 7, 2001. The amount refinanced was \$98,000. The interest is payable at a rate of 4.45% for 15 years. The principal balance as of June 30, 2002 was \$93,000. Payments of principal and interest are as follows:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2002-2003	\$ 4,665	\$ 5,000
2003-2004	4,409	5,000
2004-2005	4,131	6,000
2005-2006	3,823	6,000
2006-2007	3,515	6,000
2007-2012	12,739	33,000
2012-2016	3,421	32,000
Totals	<u>\$ 36,703</u>	<u>\$ 93,000</u>

Note 5. Insurance

For the fiscal year ended June 30, 2002, Lyon County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.



COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



LYON COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Types</u>			
General Fund	\$ 1,379,253	\$ 1,728,942	\$ 349,689
Road and Bridge Fund	620,044	628,015	7,971
Jail Fund	72,773	69,664	(3,109)
Local Government Economic Assistance Fund	30,573	38,012	7,439
<u>Special Revenue Fund Types</u>			
Federal Grant Fund	376,296	370,296	(6,000)
911 Fund	29,000	29,279	279
HB 577 Fund	21,000	68,958	47,958
Poor Farm Fund	1,200	1,047	(153)
Totals	<u>\$ 2,530,139</u>	<u>\$ 2,934,213</u>	<u>\$ 404,074</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 2,530,139
Add: Budgeted Prior Year Surplus			602,640
Less: Other Financing Uses			<u>(149,620)</u>
Total Operating Budget per Comparative Schedule of Final Budget and Budgeted Expenditures			<u>\$ 2,983,159</u>

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SCHEDULE OF OPERATING REVENUE



LYON COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Revenue Categories</u>	<u>GOVERNMENTAL FUND TYPE</u>			
	Totals (Memorandum Only)	General Fund Types	Special Revenue Fund Types	Debt Service Fund Type
Taxes	\$ 496,133	\$ 481,231	\$ 14,902	\$
In Lieu Tax Payments	390,790	390,790		
Licenses and Permits	8,015	8,015		
Intergovernmental Revenues	2,365,468	1,451,800	449,248	464,420
Charges for Services	37,743	37,743		
Miscellaneous Revenues	41,440	41,440		
Interest Earned	76,081	53,614	5,430	17,037
Total Operating Revenue	<u>\$ 3,415,670</u>	<u>\$ 2,464,633</u>	<u>\$ 469,580</u>	<u>\$ 481,457</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

LYON COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPES		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 689,269	\$ 638,155	\$ 51,114
Protection to Persons and Property	189,413	154,844	34,569
General Health and Sanitation	294,624	84,732	209,892
Social Services	41,245	34,931	6,314
Recreation and Culture	239,786	224,357	15,429
Roads	489,561	372,032	117,529
Debt Service	13,000		13,000
Administration	536,765	318,022	218,743
Total Operating Budget - General Fund Types	<u>\$ 2,493,663</u>	<u>\$ 1,827,073</u>	<u>\$ 666,590</u>
Other Financing Uses:			
Capital Lease Agreement- Principal on Lease	\$ 5,000	\$ 5,000	
Capital Lease Agreement- Principal on Lease	130,000	130,000	
Capital Lease Agreement- Principal on Lease	7,600	7,600	
Capital Lease Agreement- Principal on Lease	7,020	7,020	
TOTAL BUDGET - GENERAL FUND TYPES	<u><u>\$ 2,643,283</u></u>	<u><u>\$ 1,976,693</u></u>	<u><u>\$ 666,590</u></u>

LYON COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

<u>SPECIAL REVENUE FUND TYPES</u>			
<u>Expenditure Categories</u>	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
General Government	\$ 33,000	\$ 1,300	\$ 31,700
Protection to Persons and Property	79,000	40,288	38,712
Social Services	377,496	370,332	7,164
 TOTAL BUDGET - SPECIAL REVENUE FUND TYPES	 \$ 489,496	 \$ 411,920	 \$ 77,576

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable J. D. Lee, Lyon County Judge/Executive  
Members of the Lyon County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Lyon County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated February 25, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lyon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lyon County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
February 25, 2003



REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable J. D. Lee, Lyon County Judge/Executive  
Members of the Lyon County Fiscal Court

**Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Lyon County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. Lyon County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lyon County's management. Our responsibility is to express an opinion on Lyon County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lyon County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lyon County's compliance with those requirements.

In our opinion, Lyon County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.



Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of Lyon County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lyon County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
February 25, 2003

## FINDINGS AND QUESTIONED COSTS



LYON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2002

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Lyon County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Lyon County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Lyon County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Lyon County reported in Part C of this schedule.
7. The program tested as a major program was: Community Development Block Grants-State Administered Small Cities Program.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Lyon County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM  
AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



LYON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Program:		
U.S. Department of Housing and Urban Development		
Passed-Through State Department for Local Government:		
Community Development Block Grants-State Administered Small Cities Program (CFDA #14.228)		
	99-070	\$ 370,296
Total Cash Expenditures of Federal Awards		<u>\$ 370,296</u>

LYON COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lyon County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

LYON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

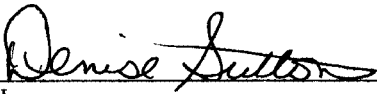


**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE**  
**LYON COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2002

The Lyon County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Name  
County Judge/Executive

  
\_\_\_\_\_  
Name  
County Treasurer